

# **MISSOURI BUDGET AND LEGISLATIVE AGENDA**

## **Building Jobs for the Future**

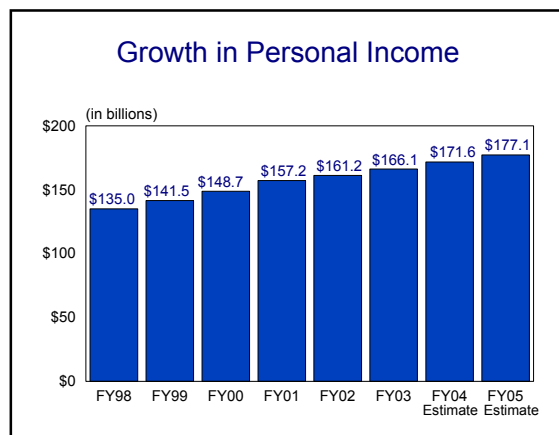
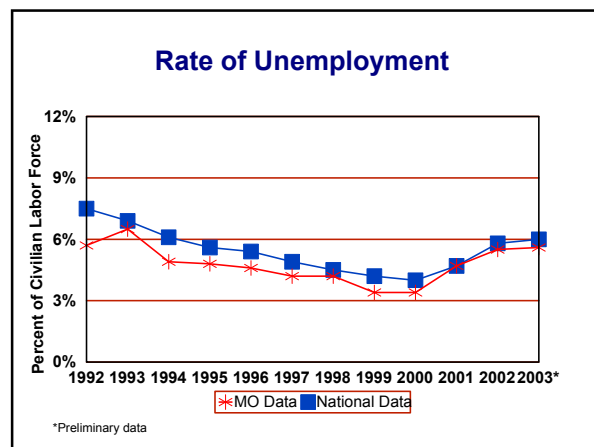
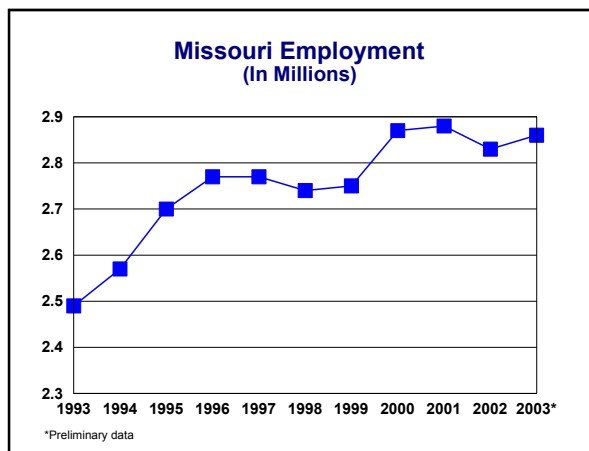
**“Nothing is more important to the future of Missouri’s families, businesses, and communities than jobs.”**

**Governor Bob Holden**

Missouri’s economy is gaining momentum. The economic downturn in 2001 was exacerbated by events such as September 11, corporate scandals, and the ongoing war overseas. Missouri’s economy is now showing improvement in several key economic indicators, as reported by the Department of Economic Development, including:

- An increase in Missouri employment of over 30,000 since January 2003. The national economy lost more than 220,000 jobs during the same time. Missouri is eighth of all states in terms of job growth since the beginning of the year. Missouri has created more jobs than all of its surrounding states.
- A declaration from Economy.com that Missouri is no longer in a recession, unlike 20 states including Illinois, Nebraska, Oklahoma, and Kentucky.
- A decrease in the number of Missourians unemployed. The state’s unemployment rate fell to 5.0 percent in November 2003, well below the national rate of 5.9 percent.
- Growth in real personal income that generally mirrors that of the nation.
- Stabilization of manufacturing employment in early 2003. More than three-fourths of states have lost more manufacturing jobs than Missouri this year.
- An increase in Missouri’s Purchasing Managers’ Index (PMI) in November 2003. This index measures new orders, production, inventories, prices, import orders, and exports.
- An increase in the number of private businesses.

Missouri must sustain this momentum, build on the successful strategies employed to date, and explore new and innovative ways to expand the state’s economy. Governor Holden will continue to lead Missouri through this period of economic recovery and create jobs for the new economy. Missouri’s economic future depends on the investment choices made today. The Governor’s Fiscal Year 2005 *Budget and Legislative Agenda* focuses on creating jobs for Missouri’s future.



In his first three years, Governor Holden accomplished the following to improve the state's economy and streamline state government:

- Worked with state and local officials to preserve existing jobs and expand Missouri businesses. These efforts included keeping Ford Motor Company's Hazelwood assembly plant open, ultimately saving 2,600 jobs; expanding CitiMortgage to a new facility in O'Fallon, retaining 3,500 jobs and creating another 1,500; securing the opening of the MasterCard Global Technology & Operations headquarters in O'Fallon, retaining 1,000 jobs and adding another 1,000; announcing the sale of Boeing jet fighters to South Korea, saving jobs of 1,000 Boeing workers; and keeping the American Airlines maintenance overhaul base in Kansas City open to retain 1,700 jobs.
- Awarded state Tax Increment Financing (TIF) funding to help build portions of the Internal Revenue Service Center project in

Kansas City. The project will move 6,000 workers into downtown Kansas City and create 1,800 new jobs.

- Issued an executive order requiring state government to purchase goods and services from in-state companies when quality and price compare to out-of-state vendors. The order also requires that evaluations include the economic impact the state's purchase will have on the Missouri economy.
- Supported legislation that created the Missouri Downtown and Rural Economic Stimulus Act to facilitate the redevelopment of downtown areas and create jobs by assisting communities with infrastructure development and business attraction. Rural communities will benefit from opportunities to build renewable fuel production facilities. House Bill 289 was signed into law July 7, 2003.

- Led a trade mission to Mexico that produced an estimated \$300 million in new business for Missouri companies.
- Convened an Economic Prosperity Summit with leaders of business, government, education, labor, and other groups to help determine the direction Missouri should take to ensure long-term economic growth.
- Hosted the 34<sup>th</sup> Annual Meeting of the Midwestern Governors' Conference. The Governor was elected chair of the bi-partisan Midwestern Governors' Conference and selected the theme for the conference: Investments for the Knowledge-Based Economy.
- Supported the development of the first State Technology Plan to implement the best uses of the state's limited funds to advance economic development for citizens and businesses.
- Issued an executive order establishing a Life Sciences Research Committee to leverage private and public funding resources that will provide research opportunities for Missouri's colleges and universities. The Governor also signed legislation that provides a boost to life sciences research. House Bill 688 was signed into law July 10, 2003.
- Ordered the development of a more customer-friendly way to access information about jobs and career planning services. The new web site not only provides job seekers better access to employment opportunities, it also gives employers better access to qualified workers.
- Proposed legislation to better use the state's job training incentives and provide training for employees of life sciences and medical research companies. Senate Bill 500 was signed into law June 20, 2001.
- Issued an executive order supporting downtown revitalization and historic preservation efforts. The order has encouraged new state buildings and leased facilities to be located in central downtown districts throughout the state.
- Appointed the One Missouri, One Agriculture Task Force to examine ways to improve the state's agricultural industry. In 2002, the Governor signed legislation that enacted many of the recommendations made by the task force. House Bill 1348 enhances ethanol and biodiesel production, strengthens the state's AgriMissouri Marketing Program, and authorizes the Missouri Department of Agriculture to certify products as organic.
- Elected chairman of the Governors' Ethanol Coalition that consists of 27 governors and representatives of four foreign nations. The coalition works to increase the use of ethanol-based fuels, decrease the nation's dependence on imported energy resources, improve the environment, and stimulate the economy.
- Supported legislation creating the Farmland Protection Act. The bill also created additional jobs and opportunities for small entrepreneurs through the Agricultural Product Utilization Contributor and New Generation Cooperative Incentive Program. Senate Bill 462 was signed into law June 28, 2001.
- Consolidated motor carrier services from several state agencies to provide a "one-stop shop" for commercial vehicles that do business with the state.
- Transferred the Division of Highway Safety from the Department of Public Safety to the Department of Transportation to consolidate highway safety activities.
- Developed a One Missouri Transportation Plan to address the state's long-standing transportation infrastructure needs.
- Transferred the workforce and Parents' Fair Share functions from the Department of Social Services to the Department of Economic Development. The move will improve access to employment and training options for Missourians who are transferring from welfare to work.

## CREATING JOBS

Without good jobs, Missouri will not have the kind of sustained economic growth it needs to ensure a bright future for citizens in all parts of the state. Governor Holden proposes new initiatives to stimulate economic growth and create jobs immediately.

### Jobs Now

Building on the momentum of Missouri's recovering economy, Governor Holden announced Jobs Now in December 2003. Jobs Now is a comprehensive plan to accelerate the progress of the state's economy as it emerges from the national recession. Jobs Now will create new, high-wage job opportunities by directing existing resources to make targeted investments in critical infrastructure, help stimulate the growth of our targeted industries like the plant and life sciences, and provide increased funding to ensure a highly skilled workforce in the state. Highlights of Governor Holden's Jobs Now proposal include:

- Establishing a "Missouri Jobs Fund" to provide grants and loans for critical infrastructure in communities, to leverage federal funding sources, and to target investments in sectors with a high probability of creating jobs in the future like plant and life sciences.
- Making targeted infrastructure investments to create sustainable, high-wage jobs for the future by creating the Life Sciences Research District Program. This allows incremental state and local tax revenues from designated life science companies to be dedicated to life sciences research programs at universities. There will also be increased efforts to strengthen collaborations between business and research institutions to help ensure that research is commercialized into products and jobs that benefit Missouri's economy.
- Providing student loans for college students pursuing degrees in math and science and offering loan forgiveness for post-graduate employment with a Missouri life sciences company.

- Leveraging untapped federal funds for infrastructure development to assist local governments with projects that have significant local economic impact and to target projects that have the greatest job creation potential.
- Strengthening and expanding job training opportunities for Missouri workers by authorizing flexibility in the Community College New Jobs Training Program. In addition, companies that partner with others will receive priority when applying for state job training grants.
- Stimulating economic growth through public infrastructure grants and loans for projects such as water and sewer facilities, broadband telecommunication systems, public buildings, airports, water ports, and road and bridge improvements.
- Redirecting existing revenues to make Jobs Now cost neutral to the state budget. This will be accomplished by repealing or improving several outdated and inefficient tax credit programs.

To promote economic and workforce development, the Governor's Fiscal Year 2005 budget includes:

- \$6.5 million for training and career development opportunities to help low-income families find and retain jobs. The project will focus on developing partnerships with Missouri employers. Temporary Assistance for Needy Families (TANF) bonus dollars will be leveraged to gain additional resources for curriculum development and career pathway training with partnering community colleges and industries.
- \$500,000 for the Arts Council to match available federal funds. Funding for the arts attracts tourists and spurs economic activity that positively impacts Missouri's state and local economies.

- \$688,477 to implement the Missouri Downtown and Rural Economic Stimulus Act as authorized by House Bill 289 (2003).
- Establishing the Jobs Now Investment to allow the Missouri Development Finance Board to issue bonds for grants and loans to public entities, colleges, and universities.

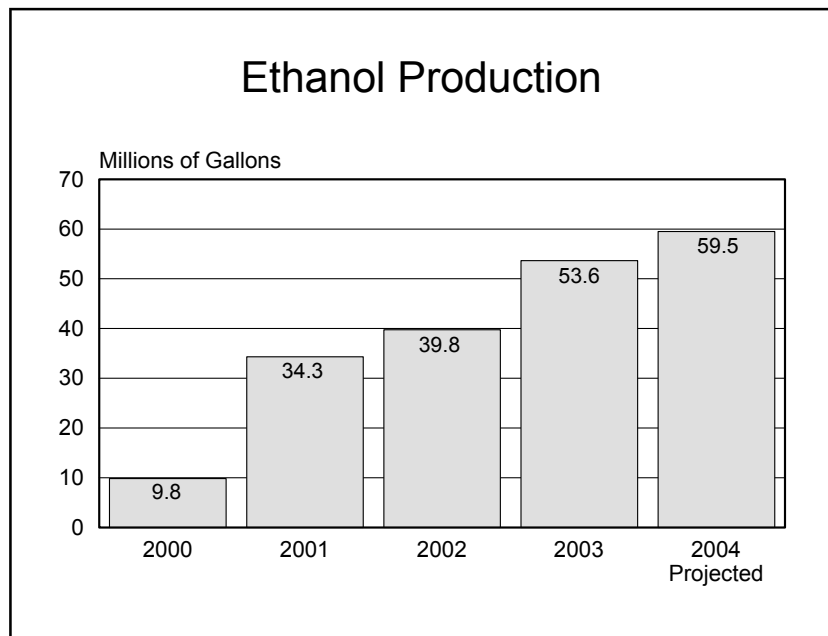
### **New Strategies to Promote Agricultural Growth**

The viability of Missouri's small farms and rural communities is at risk if farmers do not have access to capital that adds value to the agricultural products they produce. Ethanol-based fuel improves air quality and increases the productivity of Missouri farms. The Missouri Ethanol Producer Incentive Fund provides economic subsidies to qualified ethanol producers. At maximum capacity, the plants in Macon and Holt counties can process 23.5 million bushels of corn that will produce 60 million gallons of ethanol each year. In 2005, two new plants are expected to open. The Malta Bend plant will be a 40 million gallon capacity plant and the Laddonia plant will have a maximum output of 20 million gallons. Combined, Missouri will be able to process 34 million bushels of corn each year to produce 120 million gallons of ethanol. The Governor supports full funding of Missouri's

ethanol program. Toward that end, he has directed the Department of Agriculture to work with the General Assembly to develop a designated funding source that will provide additional incentives and draw down new federal funding. In addition, the Governor's Fiscal Year 2005 budget includes a \$9.9 million increase in appropriation authority to fully fund the program and provide support for all four Missouri ethanol plants.

Also, the Governor's budget recommendations contain increases for the Department of Agriculture, including:

- \$334,436 to enhance animal disease prevention and ensure a safe, wholesome food supply.
- \$146,302 to coordinate a hypoxia project that will help Missouri producers reduce nitrogen levels in water runoff.
- \$127,500 to administer the organic certification program authorized by House Bill 1348 (2002).
- \$125,000 for education programs to encourage Missouri youth to consider farming as a profession.



## Tax Credit Accountability

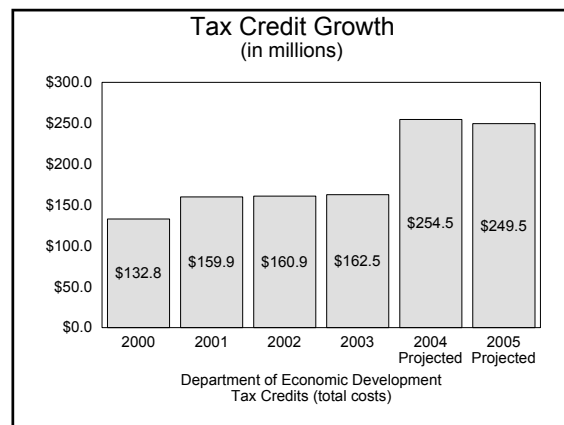
Missouri's economic development programs are designed to leverage private sector investments in the state's businesses or communities which would not otherwise occur. Even though individual tax credit programs were enacted to achieve a specific goal, the state should know whether all the programs continue to produce a good return on the public's investment through foregone tax revenue. Currently, there are 53 tax credit programs authorized by law. Thirty-five of those programs have been enacted by the General Assembly since 1990. Many of these

programs have produced outstanding results for businesses, communities, and the state. Others, however, should be eliminated, modernized, or reformed because they have not fulfilled their promise or have provided an inadequate return on the state's investment. While some incentive programs provide statutory directives for oversight, many do not. Governor Holden wants to ensure that those who work with or receive tax credits are held to the highest level of accountability. The Fiscal Year 2005 budget includes \$282,855 to develop a tax credit compliance and auditing unit that will provide accountability oversight for existing tax credit programs.

### 2004 Legislative Initiative Tax Credit Accountability

Governor Holden has included tax credit accountability proposals in his legislative package for the past two years and again calls on the General Assembly to pass a bill that:

- Strengthens Missouri's law related to the "claw back" provision, enabling the state to more aggressively pursue those who fail to fulfill their promise to create jobs, build businesses or community projects, or those who attempt to defraud the state.
- Expands public access to tax credit information and increases reporting requirements by state agencies.
- Grants state departments the authority to verify information that tax credit applicants submit and provides the necessary staff to conduct comprehensive tax credit audits.
- Strengthens the information requirements submitted prior to tax credit issuance and provides penalties for failure to supply information.
- Requires a review of all current tax credit programs to ensure they are generating the benefit for which they were originally passed and repeals or reforms those tax credits that are inefficient or ineffective.



## Protecting Missouri's Transportation Infrastructure

Missouri's position at the center of the nation makes it a transportation hub for national and international traffic, but people and goods cannot be moved efficiently when the roads and bridges are in poor condition. To benefit from the economic advantages of being a transportation hub, the state's infrastructure must be adequately maintained.

For Fiscal Year 2005, Governor Holden recommends the following for the Missouri Department of Transportation (MoDOT):

- \$121.9 million for road and bridge construction and maintenance.
- \$2.5 million for additional federal transportation enhancement projects.
- \$1.1 million for a program to assist new commercial motor carriers in meeting required safety standards.
- \$1.2 million to maintain daily, round-trip, passenger rail service between St. Louis and Kansas City. Passenger rail service provided an alternate mode of transportation for over 167,000 passengers last year.

### An Accountable Transportation System

Missouri's economic future depends upon the development of an effective and efficient total transportation system. It is a known problem - transportation resources are insufficient to meet our needs. On August 6, 2002, Missouri voters defeated a proposal to increase funding for Missouri highways. The Governor has since called on MoDOT to take action to increase accountability to the taxpayers and restore the credibility of the department. Missourians should be confident that their tax dollars for roads, bridges, repairs, and construction are spent wisely.

Missouri's Constitution places control of the state Department of Transportation with a six-member commission, not with the Governor. The Governor does not hire the director, nor does he have any direct authority over the department. The current system of oversight is not working as effectively as it should.

Governor Holden recommends restructuring the Missouri Highways and Transportation Commission and the Department of Transportation. Missouri citizens expect a better transportation system and this restructuring will facilitate desperately needed improvements. The Governor proposes expanding the size of the commission to provide wider representation of citizens in decisions affecting the use of transportation resources. The commission, under this proposal, will be charged with annually approving the Statewide Transportation Improvement Plan. A director appointed by the Governor will be more directly accountable to Missouri citizens for the appropriate use of transportation resources.

In addition, the Governor recommends limiting highway fund use to the Department of Transportation; Highway Patrol for enforcement of traffic safety laws; driving while intoxicated programs; costs of collecting highway funds; and fringe benefit, leasing, and other direct payments for staff performing these functions. This should result in additional funds being available for road and bridge construction and maintenance.

By implementing accountability measures, the department achieved savings of over \$5 million in 2003. Improved management practices include changes in fleet management and making better use of available technology. MoDOT has also made it a priority to do a better job at estimating project costs. In 2003, MoDOT was recognized nationally for its successful estimating process. This achievement saved Missouri taxpayers more than \$4 million because excessive bids were rejected and rebid. Finally, MoDOT is making a concerted effort to improve communication with elected officials, local planning groups, and citizens within the state by involving more people in the planning process.

**2004 Legislative Initiative  
The Transportation Accountability Act**

To improve the Department of Transportation, the Governor proposes the General Assembly enact a resolution to send to Missouri voters that will:

- Give the Governor the authority to appoint the Director of Transportation. This position will be accountable to the Governor like the majority of other state cabinet directors.
- Transfer various duties from the Missouri Highways and Transportation Commission to the Director of Transportation. The transfer will take effect on January 1, 2006.
- Require approval of the annual Statewide Transportation Improvement Plan by the transportation commission. The commission will also advise the department director on transportation issues.
- Expand representation on the commission by increasing the number of members from six to nine, with one member coming from each United States Congressional District.
- Limit the use of highway funding to the Department of Transportation; Highway Patrol for enforcement of traffic safety laws; driving while intoxicated programs; costs of collecting highway funds; and fringe benefit, leasing, and other direct payments for staff performing these functions.
- Require the State Auditor to conduct an annual financial audit pertaining to the use of highway funds to ensure compliance with all relevant constitutional and statutory mandates.



# The Impact of State Budget Cuts

Deep cuts have already been made to the Missouri budget. Between Fiscal Years 2001 and 2004, about 2,000 positions have been permanently cut from the budget. State departments have worked to minimize the impact of reduced funding on services. However, recent cuts have negatively impacted state and local economies as shown by the following:

## Department of Economic Development

- State employees have been cut significantly, particularly general revenue funded staff. These cuts have resulted in reduced services for Missourians and increased workloads for remaining employees. Between Fiscal Years 2001 and 2004, the Department of Economic Development lost 48 percent of its general revenue staff.
- \$6.2 million was cut from the Customized Job Training Program. This has resulted in fewer companies receiving assistance and smaller awards for those that do. Employees receiving training decreased from 35,613 in Fiscal Year 2001 to 24,639 in Fiscal Year 2003, which translates into a less competitive workforce and fewer high-paying jobs.
- \$1.1 million in technology funding cuts have resulted in the elimination of the centers for Advanced Technology and Electronic Materials Applied Research Center programs. The Manufacturing Extension Partnership Program and Innovation Centers have also received less funding. These combined actions mean fewer research projects and fewer companies that are served with technology and commercialization activities. These funding cuts will have a negative impact on the amount of new investment and sales generated by companies that use these programs.
- \$1.1 million was cut from the Community Development Corporation Grant Program, resulting in fewer and smaller awards being made, and placing limits on the types of projects that can be funded. This program focuses on helping underserved low- and

moderate-income persons achieve educational certifications. This has decreased the number of educational and housing projects for these individuals.

- \$750,000 from the marketing budget has made it difficult to recruit and retain businesses. The elimination of the Regional Cooperative Marketing Program has hindered economic development efforts of local communities.
- \$382,000 for the Main Street Program and Rural Development Grants has been eliminated, resulting in the loss of funding to smaller communities. The grants provided assistance in hiring economic development experts to help create more investment and jobs. The elimination of these programs will result in the loss of over \$30 million in potential investments and 600 new jobs.

## Department of Agriculture

- Total general revenue staffing has declined 14 percent over the last three years. These reductions have limited the department's ability to ensure consumer protection and improve markets for Missouri agricultural products. For example, the department has lost over one-half of the funding for the AgriMissouri Program, which assists businesses in the development, marketing and promotion of Missouri-made food products. In addition, the department has lost one-third of its staff that ensures the quality of feed and seed products for Missouri's livestock industry and crop producers. It has also lost one-fourth of its staff that perform propane and anhydrous ammonia safety inspections at public schools, nursing homes, childcare centers, and other public facilities.
- Grain audit staffing has declined 17 percent over the last five years. These staff protect the interests of Missouri grain producers by licensing, bonding, and auditing all businesses that store or purchase grain in the state. The budget reductions are jeopardizing the program's ability to protect grain producers from losses associated with insolvent grain dealers.

- The Animal Health Division closed the Northwest Veterinary Diagnostic Laboratory in Cameron at the end of Fiscal Year 2003. This facility handled the laboratory component of the State Meat and Poultry Inspection Program and provided diagnostic testing for animal diseases.

#### Department of Natural Resources

- The Department of Natural Resources has lost 37 percent of its general revenue staff.
- Funding for historic preservation loans and grants has been eliminated. These provided financial assistance for the preservation of endangered properties. Local county historical societies, preservation organizations, and not-for-profit organizations used these loans and grants for up-front capital to acquire or stabilize historic properties.

#### Department of Transportation

- The Department of Transportation has lost 56 percent of its general revenue staff.
- Operating assistance for transit providers has been reduced by over \$4.6 million since Fiscal Year 2002, eliminating approximately 1.3 million trips. Many people who are not able to drive, or do not own a vehicle, rely on public transportation to get to work, get to medical appointments, and carry out other daily activities.
- The Missouri Elderly and Handicapped Transportation Assistance Program (MEHTAP) was cut by nearly \$150,000, eliminating approximately 29,400 trips in 2004. MEHTAP provides operating assistance to local, non-profit transportation providers, many of which are located in rural areas.